Accountability Report

2015–2016

Finance and Treasury Board

NOVA SCOTIA

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Accountability Statement

The Accountability Report of the Department of Finance and Treasury Board for the year ended March 31, 2016 is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Department's Statement of Mandate for the fiscal year 2015-2016. The reporting of the Department's outcomes necessarily includes estimates, judgments and opinions by Department management.

We acknowledge that this Accountability Report is the responsibility of Department management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Statement of Mandate for the Department of Finance and Treasury Board for 2015-2016

Original signed by

Honourable Randy Delorey
Minister of Finance & Treasury Board

Original signed by

Byron Rafuse
Deputy Minister of Finance & Treasury Board

Message from the Minister

I am pleased to present the 2015-2016 Accountability Report for the Department of Finance and Treasury Board.

The Department supports Government by establishing a sound fiscal plan and financial framework to achieve the priorities of Nova Scotia. The Department's mandate is to preserve the financial capacity of government to provide public services in Nova Scotia, by achieving ongoing fiscal sustainability for the Province. The Department accomplishes this through its activities: budget and fiscal plan development; financial accounting; expenditure management financial advisory services; continuous program review and strategic initiatives; revenue estimates and federal transfers; tax policy, administration and credits; economic forecasting, policy analysis and modelling; liability, debt and treasury management; corporate compliance and reporting; regulation of pensions and select financial institutions; and policy oversight to the securities and liquor control sectors.

The Department's focus is to preserve the financial capacity of government to provide public services in Nova Scotia. Fiscal sustainability provides the environment needed to help Government achieve its priorities and the ability to invest in health and education.

In 2015-2016 the Department worked hard to support and advance government priorities through a number of major projects and initiatives. These achievements include:

- The successful management of the 2015-2016 Budget, which took important steps to reduce the deficit, putting the Province on track to balance the budget one year ahead of schedule.

- The development and delivery of a balanced budget for 2016-2017 on April 19, 2016. Budget 2016-2017 puts Nova Scotia on the path to fiscal sustainability, which gives government the ability to invest in health and education.

- Efforts continued throughout 2015-2016 to implement a new regulatory framework to ensure all Nova Scotians have access to a portable, private pension plan through Pooled Registered Pension Plans (PRPPs). This led to the proclamation of the Nova Scotia PRPP Act and establishment of supporting regulations in May 2016. It also laid the ground work for Nova Scotia to be part of a multilateral agreement with the Federal Government and other participating provinces to establish streamlined, cooperative regulatory oversight of PRPPs.

- The introduction of new regulations respecting importation of wine for personal use in Nova Scotia which were released publicly in June 2015, these regulations were developed as a deliberate strategy for Nova Scotia to show leadership to encourage cross-border direct sales as part of an effort to promote local wineries.

- The implementation of the Capital Investment Tax Credit, which is an incentive for corporations to invest in large capital projects to create jobs and grow the economy, effective January 1, 2015.

- The introduction of legislation to facilitate the merger of the accounting professions into Chartered Professional Accountants (CPA) and amend the Public Accountants Act. This work aligns with a national initiative to unify professional accountants.

In the 2015-2016 fiscal year the corporate financial advisory services staff from all government Departments were transferred to Finance and Treasury Board. This change will allow greater coordination of financial planning across government which will help to preserve the financial capacity of government to provide public services in Nova Scotia. The net transfer of staff added 98.2 FTEs to Finance and Treasury Board. Ensuring the efficient and effective transition of these financial services units was identified as a priority for Finance and Treasury Board in the Department's 2016-2017 business plan.

The corporate requirements, template and process for Departmental business planning across government changed for the 2016-2017 fiscal year. Therefore many of the measures reported on in this accountability report for 2015-2016 are reflected in a different way in the Department's 2016-2017 Business Plan that was published on April 19, 2016. However, the Department's core mandate to establish a sound fiscal framework, control public finances, and provide meaningful, transparent financial reporting has not changed.

The achievements of Finance and Treasury Board in 2015-2016 are a testament to the hard work of Department staff. I would like to thank each and every employee of the Department for their ongoing dedication and service to the government and to the people of Nova Scotia.

As Minister of Finance and Treasury Board, I look forward to continuing the important work of the Department to further advance the priorities of government.

Original signed by

Honourable Randy Delorey
Minister of Finance and Treasury Board

Financial Results

Department of Finance and Treasury Board			
	2015-2016 Estimate	2015-2016 Actual	Variance
Program & Service Area	($thousands)	($thousands)	($thousands)
Program Expenses:			
Senior Management	4,294	3,217	(1077)
Controller's Division	2,388	2,327	(61)
Treasury Board	2,943	2,542	(401)
Corporate Services Unit	1,005	828	(177)
Fiscal Policy, Economics & Budgetary Planning	3,785	3,672	(113)
Total Program Expenses (Note 1)	14,415	12,586	(1829)
Additional Information:			
Fees and Other Charges (Note 2)	403	478	75
Ordinary Recoveries	0	1	1
Provincial Funded Staff (FTEs) Net	108.7	99.3	(9.4)

Notes: Significant Variance Explanations: 2015-16 Estimate to 2015-2016 Actual

1. Savings from temporary vacant positions ($750K), administration expense savings ($579K), and Social Impact Bonds not disbursed ($500K)
2. Higher volume for pension filing fees and insurance exam fees

Measuring Our Performance

Outcome 1 – Sustain a sound fiscal framework

Measure 1.1: Maintain or improve credit ratings by major rating agencies

What does the measure tell us?
A credit rating is an independent evaluation of a borrower's ability and willingness to pay interest and repay principal. Rating firms provide investors with these measures of the credit quality of bonds or other financial instruments. A credit rating indirectly affects the borrower's borrowing costs and market access, as well as the investor's expected rate of return since an investor will demand a higher return on a more risky, lower rated security.

Where are we now?
As of March 31, 2016 the province's rating were:

- DBRS: A (high)
- S&P: A+
- Moody's: Aa2

Where do we want to go?
Finance and Treasury Board's 2016-2017 Business Plan highlights fiscal sustainably as the Department's strategic goal. Although the maintenance and improvement of credit ratings is not specified as a measure in the 2016-2017 business plan, this remains a key indicator for fiscal sustainability that enables Government to meet its priorities and build the capacity to support public services in Nova Scotia. Therefore the Department plans to continue positive relations with the investment community and rating agencies to maintain or improve credit ratings for the Government of Nova Scotia over the long-term.

Measure 1.2: Unqualified auditor's report on revenue estimates

What does the measure tell us?
This measure illustrates the Department's commitment to accurate budgetary planning based on sound revenue estimates.

Where are we now?
We continue to achieve this measure:

- The 2015-2016 budget revenue estimates received an unqualified audit opinion from the Auditor General, and were released on April 9, 2015
- The 2016-2017 budget revenue estimates received an unqualified audit opinion from the Auditor General, and were released on April 19, 2016

Where do we want to go?
The Department's 2016-2017 Business Plan does not include unqualified auditor's report on revenue estimates as a specific measure. However, this remains a key indicator for fiscal sustainability which is the Department's strategic goal for 2016-2017. Therefore the Department plans to continue to release revenue estimates with the budget each spring with an unqualified auditor's report. In the long-term, the Department will strengthen advanced planning and collaboration with other Departments, Entities and the Office of the Auditor General, in an effort to identify problems and work load issues early and ensure adherence to public sector accounting standards.

Outcome 2 –Effective control of public finances

Measure 2.1: Current and effective corporate management policies

What does the measure tell us?

The development of sound financial policy helps to support the implementation of best practices and ultimately fiscal prudence. As a central agency Finance and Treasury Board can provide effective financial controls across government through corporate management policies. Finance and Treasury Board is responsible for a number of internal policies in Management Manual 200 – *Budgeting and Financial Management*.

Where are we now?

The Department's goal is to review management manual policies older than three years to ensure effectiveness and make necessary updates. In 2015-2016, 13 policies were reviewed and minor updates were approved. Also, the asset class for Dykeland Systems was added to the tangible capital assets policy and a new guideline was created to provide further guidance thereon. The process to load the updates into Management Manual 200 was completed in June 2016. Further policies have been identified for review in 2016-2017. The Department continues to respond to requests for policy development and advice in a timely fashion and share information and best practice.

Where do we want to go in the future?

Financial Accounting remains a key action to support fiscal sustainably in the 2016-2017 Business Plan. The Department will continue to review Management Manual 200 policies and update as necessary, as well as share information and best practice regarding effective financial controls.

Measure 2.2: Debt Management – foreign currency risk exposure

What does the measure tell us?
In the 2015-2016 Statement of Mandate the Department strengthened its commitment to be more transparent regarding the effective control of public finances by including a measure related to debt management that looks at the Province's foreign currency risk exposure. Hedging foreign currency bond issues to Canadian dollars helps to manage Nova Scotia's risk to foreign currency exposure.

Where are we now?
This was a new measure for 2015-2016. In 2014-2015 Nova Scotia's foreign currency exposure was under 20%. The Department's goal for 2015-2016 was to ensure that the Province's debt repayable in foreign currency remained at 20% or less of the total debt portfolio. The result was that the Province's foreign currency exposure was 0.0% for 2015-2016.

Where do we want to go in the future?
The Department's 2016-2017 Business Plan does not include foreign currency risk exposure as a specific measure. However, this remains a key indicator to support fiscal sustainability which is the Department's strategic goal for 2016-2017. Therefore the Department's long-term goal is to maintain debt repayable in foreign currency at 20% or less of the total debt portfolio.

Measure 2.3 Debt Management – interest rate risk

What does the measure tell us?
In the 2015-2016 Statement of Mandate the Department strengthened its commitment to be more transparent regarding the effective control of public finances by including a measure related to debt management that looks at the Province's interest rate risk. Active management of the Province's debt portfolio, its associated assets, as well as short-term debt and floating rate exposure issuance can help manage the Province of Nova Scotia's interest rate risk.

Where are we now?
This was a new measure for 2015-2016. In 2014-2015 the Province's sensitivity to a 1% increase in interest rates was under $40 million. The Department's goal for 2015-2016 was to ensure that the Province's sensitivity to a 1% increase in interest rates was under $40 million. The result was that the Province's sensitivity to a 1% increase in interest rates for 2015-2016 was $17.1 million.

Where do we want to go in the future?
The Department's 2016-2017 Business Plan does not include interest rate risk as a specific measure. However, this remains a key indicator to support fiscal sustainability which is the Department's strategic goal for 2016-2017. Therefore the Department will maintain the Province's sensitivity to a 1% increase in interest rates at $40 million or under.

Outcome 3 – Transparent and accountable reporting of public finances

Measure 3.1: Timely release of Public Accounts; Volume 1 – Consolidated Financial Statements, Volume 2 – Agencies, and Volume 3 – Supplementary Information

What does the measure tell us?
This measure illustrates the Department's commitment to transparent and accountable financial reporting as well as the commitment to meet the legislative requirement of the *Finance Act* to release the Province's Public Accounts by September 30th.

Where are we now?
We continue to achieve this measure. All three volumes of the Province's Public Accounts for 2014-2015 fiscal year were released on July 30, 2015. The Department continues to work towards the release of the 2015-2016 Public Accounts with a target date of July 28, 2016, well ahead of the legislated September 30th deadline.

Where do we want to go?
Financial Accounting remains a key action to support fiscal sustainably in the 2016-2017 Business Plan. Specifically, Financial Accounting consists of analysis and preparation of the annual Public Accounts, which include the consolidated financial statements of the Government Reporting Entity. Therefore the Department will continue to produce and release publically all three volumes of the Province's Public Accounts on or before the legislated annual deadline for reporting of September 30th.

Measure 3.2: Unqualified auditor's report on the Province's consolidated financial statements (Public Accounts Volume 1)

What does the measure tell us?
This measure illustrates the Department's commitment to complete and accurate financial reporting in compliance with Public Sector Accounting Standards.

Where are we now?
We continue to achieve this measure. The Province's consolidated financial statements for 2014-2015 received an unqualified audit opinion from the Auditor General, and were released on July 30, 2015.

Where do we want to go?
Financial Accounting remains a key action to support fiscal sustainably in the 2016-2017 Business Plan. Specifically, Financial Accounting consists of analysis and preparation of the annual Public Accounts, which include the consolidated financial statements of the Government Reporting Entity. Therefore the Department will continue release the Province's consolidated financial statements annually with an unqualified audit opinion.

Measure 3.3: Timely release of Budget Forecast Updates

What does the measure tell us?
The measure supports sound fiscal planning by meeting the legislative requirement of the *Finance Act* to provide updates on the progress of the provincial budget throughout the fiscal year.

Where are we now?
The Department of Finance and Treasury Board met the goal by releasing forecast updates on the 2015-2016 provincial budget on the following dates:

- September 21, 2015
- December 14, 2015
- April 19, 2016

Where do we want to go?
The Finance and Treasury Board 2016-2017 Business Plan includes Budget and Fiscal Plan Development as a key action to support fiscal sustainability which is the Department's overall strategic goal. To achieve this the Department will continue to meet legislative requirements and to support sound fiscal planning by reporting on the progress of the provincial budget through the release of forecast updates.

Measure 3.4: Timely release of Departmental, Public Service Office, and Crown Corporation Accountability Reports

What does the measure tell us?
This measure fulfills the legislative requirement of Section 60 of the *Finance Act*, which requires the Department of Finance and Treasury Board to publish an accountability report annually. This measure also supports sound strategic planning, transparency, and accountability in the public sector by supporting other government Departments, Public Service Offices and Crown Corporations in publishing their own accountability reports.

Where are we now?
The Department of Finance and Treasury Board met its legislative requirement by releasing the Departmental accountability report for 2014-2015 in July 2015. Finance & Treasury Board staff also led this process for Departments across Government, which included reviewing the 2014-2015 reports for all Departments, Public Service Offices and Crown Corporations before publication. Finance and Treasury Board is now working towards the release of the 2015-2016 Departmental accountability report in July 2016 and leading the process to collect and review all reports by other government Departments, Public Service Offices and select Crown Corporations.

Where do we want to go?
The Department will continue to meet the legislative requirement for Government Departments by providing an annual Departmental accountability report. The Department will also continue to support strategic planning, transparency, and accountability throughout the public sector by leading the process to collect and review the annual accountability reports for other government Departments, Public Service Offices, and select Crown Corporations.

Outcome 4 – Effective advice to the Treasury and Policy Board and Government entities

Measure 4.1: Client survey of quality, timeliness and relevance of advice and service from Department of Finance and Treasury Board in key policy and process areas

What does the measure tell us?

Client satisfaction surveys help to measure quality, timeliness and relevance of advice and service.

Where are we now?

Previously, Finance and Treasury Board conducted client satisfaction surveys in 2012-2013, 2013-2014, and 2014-2015 in partnership with Executive Council Office. However, for the 2015-2016 fiscal year Finance and Treasury Board did not participate due to the changes within the Department. Executive Council Office proceeded with their survey independently.

Where do we want to go in the future?

Although providing effective advice to the Treasury and Policy Board and Government remains important to the Department of Finance and Treasury Board, no specific measure related to a client survey was included in the Department's 2016-2017 Business Plan. The Department plans to continue to provide quality, timeliness and relevance of advice and service however, this will be achieved through other means.

Appendix A
Public Interest Disclosure of Wrongdoing

The *Public Interest Disclosure of Wrongdoing Act* was proclaimed into law on December 20, 2011.

The Act provides for government employees to be able to come forward if they reasonably believe that a wrongdoing has been committed or is about to be committed and they are acting in good faith.

The Act also protects employees who do disclose from reprisals, by enabling them to lay a complaint of reprisal with the Labour Board.

A Wrongdoing for the purposes of the Act is:

a) a contravention of provincial or federal laws or regulations
b) a misuse or gross mismanagement of public funds or assets
c) an act or omission that creates an imminent risk of a substantial and specific danger to the life, health or safety of persons or the environment, or
d) directing or counselling someone to commit a wrongdoing

The following is a summary of disclosures received by the Department of Finance and Treasury Board for the 2015-2016 fiscal year.

Information Required under Section 18 of the PIDW Act	Fiscal Year 2015-2016
Number of disclosures received	No disclosures of wrongdoing were received by the Department of Finance & Treasury Board in 2015-2016 or prior years.
Number of findings of wrongdoing	There were no findings of wrongdoing to report because there were no disclosures of wrongdoing received by the Department.
Details of each wrongdoing	N/A
Recommendations and actions taken on each wrongdoing	N/A